

**Cost of Capital Study**  
2007 Assessment Year

**Appendix C**

**Industry: Air Transport - Freight**

							<b>Reference</b>	
							(Appendix C)	
<b>Equity:</b>							<b>Page</b>	
<b>Yield Capitalization</b>								
CAPM - ex post - Ibbotson Rm			9.3%				5	
CAPM - ex ante			8.8%				6	
<b>Dividend Growth Models</b>								
Value Line, based on Dividends Growth			11.10%				9	
Value Line, based on Earnings Growth			12.40%				10	
Standard & Poors, based on Earnings Growth			14.10%				11	
<b>Yield Equity Component</b>							<b>10.5%</b>	
<b>Debt:</b>								
<b>Debt Rate</b>							<b>5.9%</b>	12
<b>Industry Market Capital Structure</b>								
Equity	79%	x	10.5%	=		8.3%	3	
Operating Leases	17%	x	5.9%	=	1.0%		3	
Debt Before adjustment for Debt Tax Shield	4%	x	5.9%	=	0.2%		3	
Subtotal Financing portion of structure					<u>1.2%</u>			
Marginal Tax Rate	35%	(1-.35)	X	1.2%	=	<u>0.8%</u>		
						<u>9.1%</u>		
WACC=(Ke*Equity%)+(Kd*Debt%)*(1-Marginal Tax Rate)								
<b>Weighted Average Cost of Capital:</b>							<b><u>9.1%</u></b>	

## Support for Guideline Companies

### Air Transport - Freight

### 2007 Assessment Year

Industry Overall					
	Company Name	Ticker	Beta	P/E Ratio	Div'd Yield
RF	Airnet Systems*	ANS	0.60	NMF	nil
MP	AirTran Hldgs Inc*	AAI	1.35	27.3	nil
MP	Alaska Air Group Inc	ALK	1.35	9.6	nil
MP	AMR Corporation Delaware	AMR	2.60	9.1	nil
MP	Continental Airlines Inc	CAL	2.40	8.6	nil
MP	Express Jet	XJT	1.20	4.9	nil
MF	Fedex Corporation	FDX	1.05	16.9	0.3%
RP	Frontier Airlines Incorporated*	FRNT	1.85	nmf	nil
MP	JetBlue Airways	JBLU	1.05	41.1	nil
MP	Mesa Air Group*	MESA	1.55	13.7	nil
RP	Midwest Air Group	MEH	1.35	43.8	nil
RP	Republic Airways Holdings, Inc.	RJET	0.85	9.7	nil
MP	Sky West*	SKYW	1.30	10.5	0.6%
MP	Southwest Airlines Company	LUV	1.10	19.0	0.1%
MF	United Parcel Svc	UPS	0.75	19.1	1.8%
		<b>Mean</b>	<b>1.36</b>	<b>17.9</b>	<b>0.7%</b>

Air Transport - Freight					
	Company Name	Ticker	Beta	P/E Ratio	Div'd Yield
RF	Airnet Systems*	ANS	0.60	NMF	nil
MF	Fedex Corporation	FDX	1.05	16.9	0.3%
MF	United Parcel Svc	UPS	0.75	19.1	1.8%
			<b>0.80</b>	<b>18.0</b>	<b>nil</b>

Source: ValueLine 2006

NR=Not Reported

**Support for Capital Structure  
(based on Market Value)  
Air Transport - Freight  
2007 Assessment Year**

Industry Overall												
Company Name	Ticker	\$Stock\$ Average	Common Shares	Common \$ Stock \$	%	Preferred \$ Stock \$	%	Long Term \$ Debt \$	%	Operating \$ Leases \$	%	\$ Total Debt \$ Op Leases & Eq
Airnet Systems*	ANS	3.29	10,161,000	33,446,625	71.1%	-	0.0%	8,000,000	17.0%	5,591,111	11.9%	47,037,736
AirTran Hldgs Inc*	AAI	11.49	91,000,000	1,045,590,000	26.7%	-	0.0%	576,400,000	14.7%	2,288,181,818	58.5%	3,910,171,818
Alaska Air Group Inc	ALK	41.19	40,022,870	1,648,408,606	29.5%	-	0.0%	945,500,000	16.9%	2,987,272,727	53.5%	5,581,181,333
AMR Corporation Delaware	AMR	29.53	214,415,972	6,332,061,013	20.7%	-	0.0%	12,407,000,000	40.6%	11,818,181,818	38.7%	30,557,242,831
Continental Airlines Inc	CAL	38.67	89,900,947	3,476,020,116	16.4%	-	0.0%	4,735,000,000	22.3%	13,000,000,000	61.3%	21,211,020,116
Express Jet	XJT	7.75	54,161,848	419,483,513	11.5%	-	0.0%	151,800,000	4.2%	3,081,818,182	84.4%	3,653,101,695
Fedex Corporation	FDX	113.17	306,633,491	34,701,201,121	61.5%	-	0.0%	2,090,000,000	3.7%	19,670,588,235	34.8%	56,461,789,356
Frontier Airlines Incorporated*	FRNT	8.06	36,607,455	295,117,100	14.9%	-	0.0%	444,000,000	22.5%	1,235,069,973	62.6%	1,974,187,073
JetBlue Airways	JBLU	12.94	175,712,310	2,272,838,730	40.6%	-	0.0%	2,338,000,000	41.7%	990,909,091	17.7%	5,601,747,821
Mesa Air Group*	MESA	8.37	36,200,769	303,060,771	10.1%	-	0.0%	550,000,000	18.3%	2,158,181,818	71.7%	3,011,242,589
Midwest Air Group	MEH	9.25	18,604,442	172,091,089	24.7%	-	0.0%	43,600,000	6.3%	481,777,778	69.1%	697,468,866
Republic Airways Holdings, Inc.	RJET	17.09	42,431,802	724,947,337	24.0%	-	0.0%	1,487,800,000	49.3%	804,106,667	26.7%	3,016,854,004
Sky West*	SKYW	25.72	63,913,060	1,643,950,425	27.9%	-	0.0%	1,508,500,000	25.6%	2,746,454,545	46.6%	5,898,904,970
Southwest Airlines Company	LUV	15.69	791,833,168	12,421,222,962	73.9%	-	0.0%	1,275,000,000	7.6%	3,118,181,818	18.5%	16,814,404,780
United Parcel Svc	UPS	75.70	1,073,543,539	81,263,667,424	91.2%	-	0.0%	3,113,000,000	3.5%	4,741,176,471	5.3%	89,117,843,894
<b>Mean:</b>					<b>36.3%</b>		<b>0.0%</b>		<b>19.6%</b>		<b>44.1%</b>	
<b>Weighted Mean:</b>				146,753,106,830	<b>59.3%</b>		<b>0.0%</b>	31,673,600,000	<b>12.8%</b>	69,127,492,053	<b>27.9%</b>	247,554,198,883
<b>Median:</b>					<b>26.7%</b>		<b>0.0%</b>		<b>17.0%</b>		<b>46.6%</b>	

Air Transport - Freight												
Company Name	Ticker	\$Stock\$ Average	Common Shares	Common \$ Stock \$	%	Preferred \$ Stock \$	%	Long Term \$ Debt \$	%	Operating \$ Leases \$	%	\$ Total \$ Debt & Equity
Airnet Systems*	ANS	3.29	10,161,000	33,446,625	71.1%	-	0.0%	8,000,000	17.0%	5,591,111	11.9%	47,037,736
Fedex Corporation	FDX	113.17	306,633,491	34,701,201,121	61.5%	-	0.0%	2,090,000,000	3.7%	19,670,588,235	34.8%	56,461,789,356
United Parcel Svc	UPS	75.70	1,073,543,539	81,263,667,424	91.2%	-	0.0%	3,113,000,000	3.5%	4,741,176,471	5.3%	89,117,843,894
<b>Mean:</b>					<b>74.6%</b>		<b>0.0%</b>		<b>8.1%</b>		<b>17.3%</b>	
<b>Weighted Mean:</b>				115,998,315,169	<b>79.7%</b>		<b>0.0%</b>	5,211,000,000	<b>3.6%</b>	24,417,355,817	<b>16.8%</b>	145,626,670,986
<b>Median:</b>					<b>71.1%</b>		<b>0.0%</b>		<b>3.7%</b>		<b>11.9%</b>	
<b>Estimated Capital Structure</b>					<b>79.0%</b>		<b>0.0%</b>		<b>4.0%</b>		<b>17.0%</b>	

Source: ValueLine

**Support for Market Multiples**  
**Air Transport - Freight**  
**2007 Assessment Year**

Industry Overall												
Company Name	Ticker	\$Stock\$ Average	Rev's	Multiple	Cash Flow	Multiple	Earnings	Multiple	Div'ds Decl'd	Multiple	Book Value	Multiple
Airnet Systems*	ANS	3.29	19.37	0.2	2.06	1.6	0.60	5.5	nil		4.57	0.7
AirTran Hldgs Inc*	AAI	11.49	21.15	0.5	0.55	20.9	0.25	46.0	nil		4.10	2.8
Alaska Air Group Inc	ALK	41.19	83.75	0.5	7.50	5.5	3.90	10.6	nil		25.00	1.6
AMR Corporation Delaware	AMR	29.53	105.60	0.3	7.50	3.9	1.80	16.4	nil		nmf	nmf
Continental Airlines Inc	CAL	38.67	146.55	0.3	9.05	4.3	3.20	12.1	nil		8.35	4.6
Express Jet	XJT	7.75	28.91	0.3	2.31	3.4	1.57	4.9	nil		3.86	2.0
Fedex Corporation	FDX	113.17	105.54	1.1	11.13	10.2	5.98	18.9	0.33	342.9	37.62	3.0
Frontier Airlines Incorporated*	FRNT	8.06	27.17	0.3	0.42	19.2	(0.39)	nmf	nil		6.25	1.3
JetBlue Airways	JBLU	12.94	13.30	1.0	0.80	16.2	(0.02)	nmf	nil		6.55	2.0
Mesa Air Group*	MESA	8.37	39.36	0.2	3.50	2.4	0.62	13.5	nil		6.12	1.4
Midwest Air Group	MEH	9.25	37.20	0.2	0.95	nmf	(0.05)	nmf	nil		1.20	7.7
Republic Airways Holdings, Inc.	RJET	17.09	21.66	0.8	3.00	5.7	1.80	9.5	nil		10.16	1.7
Sky West*	SKYW	25.72	33.45	0.8	3.88	6.6	2.42	10.6	0.12	214.3	15.55	1.7
Southwest Airlines Company	LUV	15.69	11.60	1.4	1.40	11.2	0.75	20.9	0.02	784.3	9.25	1.7
United Parcel Svc	UPS	75.70	44.45	1.7	5.55	13.6	3.85	19.7	1.52	49.8	17.45	4.3
	<b>Mean:</b>			<b>0.6</b>		<b>8.9</b>		<b>15.7</b>		<b>347.9</b>		<b>2.6</b>
	<b>Median:</b>			<b>0.5</b>		<b>6.2</b>		<b>12.8</b>		<b>278.6</b>		<b>1.8</b>

Air Transport - Freight												
Company Name	Ticker	\$Stock\$ Average	Rev'	Multiple	Cash Flow	Multiple	Earnings	Multiple	Div'ds Decl'd	Multiple	Book Value	Multiple
Airnet Systems*	ANS	3.29	19.37	0.2	2.06	1.6	0.60	5.5	nil	-	4.57	0.7
Fedex Corporation	FDX	113.17	105.54	1.1	11.13	10.2	5.98	18.9	0.33	342.9	37.62	3.0
United Parcel Svc	UPS	75.70	44.45	1.7	5.55	13.6	3.85	19.7	1.52	49.8	17.45	4.3
	<b>Mean:</b>			<b>1.0</b>		<b>8.5</b>		<b>14.7</b>		<b>130.9</b>		<b>2.7</b>
	<b>Median:</b>			<b>1.1</b>		<b>10.2</b>		<b>18.9</b>		<b>49.8</b>		<b>3.0</b>
	<b>Estimated</b>			<b>1.1</b>		<b>10.0</b>		<b>18.0</b>		<b>75.0</b>		<b>3.0</b>

Source: ValueLine Investment Survey, 10-k's and Yahoo Finance for regional companies

Note: Average Stock Price = 4th 1/4 High/Low common stock price averages.

Note: Units per share comparisons

## Support for Yield Capitalization Equity Component Capital Asset Pricing Model

Air Transport - Freight

2007 Assessment Year

**Ex Post**

$$K_e = R_f + B (R_m - R_f)$$

<b>Ke = Cost of Equity</b>			<b>9.3%</b>
			to page 1
Rf =	risk free rate	4.8%	
Rp =	risk premium	5.6%	
B =	Beta	0.80	page 8

<b>Rp = Risk Premium</b>			<b>5.6%</b>
			to above
<b>Ibbotson SBBI, Market Report Dec 2006, Table 7 page 16</b>			
Ibbotson, SBBI, Large Co.		10.4% Rm	

<b>Rf = Risk Free Rate</b>			<b>4.8%</b>
			to above
<b>Ibbotson SBBI, Risk Premia Over Time Report 2006, Table C1 page 5</b>			
Long Term (20 years) US Treasury Bond Yield		4.9%	
<b>Value Line Investment Survey, Selected Yields January 5, 2007, page 4941</b>			
US Treasury Securities year end data			
5 year		4.6%	
10 year		4.7%	
30 year		4.8%	
30 year Zero		4.7%	
<b>Federal Reserve Statistical Release (<a href="http://www.federalreserve.gov/Releases/H15/Current/">http://www.federalreserve.gov/Releases/H15/Current/</a>)</b>			
Treasury Constant Maturities			
5 year		4.6%	
10 year		4.6%	
20 year		4.8%	
20 year TIPS		<u>2.3%</u>	
		2.5%	Inflation Indication

## Support for Yield Capitalization Equity Component Capital Asset Pricing Model

Air Transport - Freight

2007 Assessment Year

**Ex Ante**

$$K_e = R_f + B (R_p)$$

<b>Ke = Cost of Equity</b>	<b>8.8%</b>
Rm = rate of return	9.8%
Rf = risk free rate	4.8%
Rp = risk premium	5.0%
B = Beta	0.80
	to page 1
	page 8

<b>Rp = Risk Premium</b>	<b>5.0%</b>
	to above
<p><b>Roger J. Grabowski and David W. King</b> Equity Risk Premium: What Consultants Need to Know about Recent Research - 2005 Update</p>	
<p><b>Dr. Aswath Damodaran</b> <a href="http://pages.stern.nyu.edu/~adamodar/">http://pages.stern.nyu.edu/~adamodar/</a></p>	
<p><b>John Graham and Campbell Harvey</b> Expectations of Equity Risk Premium, Volatility and Asymmetry, 2003 (The Gaham and Harvey is the US Corportate officer survey of 2.9-4.7%)</p>	

<b>Rf = Risk Free Rate</b>	<b>4.8%</b>										
	to above										
<p><b>Ibbotson SBBI, Risk Premia Over Time Report 2006, Table C1 page 5</b></p> <p style="text-align: right;">Long Term (20 years) US Treasury Bond Yield      4.9%</p>											
<p><b>Value Line Investment Survey, Selected Yields January 5, 2007, page 4941</b></p> <p style="text-align: right;">US Treasury Securities year end data</p> <table style="width: 100%; margin-left: 100px;"> <tr><td style="text-align: right;">5 year</td><td style="text-align: right;">4.6%</td></tr> <tr><td style="text-align: right;">10 year</td><td style="text-align: right;">4.7%</td></tr> <tr><td style="text-align: right;">30 year</td><td style="text-align: right;">4.8%</td></tr> <tr><td style="text-align: right;">30 year Zero</td><td style="text-align: right;">4.7%</td></tr> </table>		5 year	4.6%	10 year	4.7%	30 year	4.8%	30 year Zero	4.7%		
5 year	4.6%										
10 year	4.7%										
30 year	4.8%										
30 year Zero	4.7%										
<p><b>Federal Reserve Statistical Release (<a href="http://www.federalreserve.gov/Releases/H15/Current/">http://www.federalreserve.gov/Releases/H15/Current/</a>)</b></p> <p style="text-align: right;">Treasury Constant Maturities</p> <table style="width: 100%; margin-left: 100px;"> <tr><td style="text-align: right;">5 year</td><td style="text-align: right;">4.6%</td></tr> <tr><td style="text-align: right;">10 year</td><td style="text-align: right;">4.6%</td></tr> <tr><td style="text-align: right;">20 year</td><td style="text-align: right;">4.8%</td></tr> <tr><td style="text-align: right;">20 year TIPS</td><td style="text-align: right;"><u>2.3%</u></td></tr> <tr><td></td><td style="text-align: right;">2.5%</td></tr> </table> <p style="text-align: right;">Inflation Indication</p>		5 year	4.6%	10 year	4.6%	20 year	4.8%	20 year TIPS	<u>2.3%</u>		2.5%
5 year	4.6%										
10 year	4.6%										
20 year	4.8%										
20 year TIPS	<u>2.3%</u>										
	2.5%										

To update this spreadsheet, enter the following

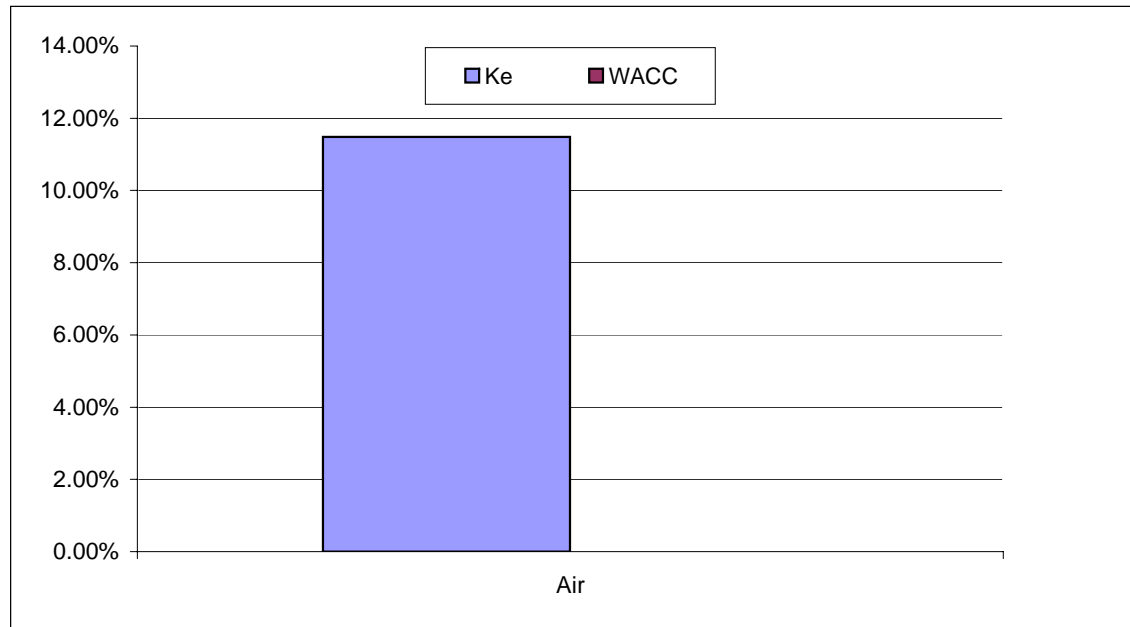
Long Term Treasury bond rate = 4.80%  
 Risk Premium to Use for Equity = 5.00%

Do you want to use the marginal tax rate for cost of debt?  
 If yes, enter the marginal tax rate to use

Cost of Debt Lookup Table (based on std dev in stock prices)

	Standard Deviation	Basis Spread	
	0	0.2	0.25%
	0.2	0.25	0.50%
yes	0.25	0.3	0.75%
35%	0.3	0.4	1.00%
	0.4	0.5	1.25%
	0.5	0.6	1.50%
	0.6	10	2.00%

Industry Name	Number of Firms	Beta	Cost of Equity	E/(D+E)	Std Dev in Stock	Cost of Debt	Tax Rate	After-tax Cost of Debt	D/(D+E)	Cost of Capital	WACC unadjusted for debt shield
Air	56	1.38	11.48%	70.34%	47.08%	5.95%	19.40%	4.80%	29.66%	9.50%	Damodaran WACC
Air Major Passenger	7	0.80	10.50%	79.00%	47.08%	5.90%	35.00%	3.84%	21.00%	10.03%	DOR CAPM WACC



**Beta Calculation for CAPM  
Air Transport - Freight  
2007 Assessment Year**

<b>Beta =</b>		<b>0.80</b>
<b>Industry Overall</b>		<b>ValueLine</b>
Airnet Systems*	ANS	0.60
AirTran Hldgs Inc*	AAI	1.35
Alaska Air Group Inc	ALK	1.35
AMR Corporation Delaware	AMR	2.60
Continental Airlines Inc	CAL	2.40
Express Jet	XJT	1.20
Fedex Corporation	FDX	1.05
Frontier Airlines Incorporated*	FRNT	1.85
JetBlue Airways	JBLU	1.05
Mesa Air Group*	MESA	1.55
Midwest Air Group	MEH	1.35
Republic Airways Holdings, Inc.	RJET	0.85
Sky West*	SKYW	1.30
Southwest Airlines Company	LUV	1.10
United Parcel Svc	UPS	0.75
	<b>Mean:</b>	<b>1.36</b>
	<b>Median:</b>	<b>1.30</b>
		<b>1.35</b>
<b>Industry Specific</b>		<b>ValueLine</b>
Airnet Systems*	ANS	0.60
Fedex Corporation	FDX	1.05
United Parcel Svc	UPS	0.75
	<b>Mean:</b>	<b>0.80</b>
	<b>Median:</b>	<b>0.75</b>
	<b>Estimated:</b>	<b>0.80</b>

source: ValueLine, 2007

**Support for Yield Capitalization Equity Component**  
**Air Transport - Freight**  
**2007 Assessment Year**

**Dividend Growth Model**

(based on Dividends Growth)

$$K_e = D_1 / P_0 + G$$

where:

**K<sub>e</sub>** = Cost of Equity  
**D<sub>1</sub>** = Expected Dividends  
**P<sub>0</sub>** = Current Price  
**G** = Sustainable Growth

Industry Overall						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Dividends Growth (G)	Ke
Airnet Systems*	ANS	3.29	nil			
AirTran Hldgs Inc*	AAI	11.49	nil			
Alaska Air Group Inc	ALK	41.19	nil			
AMR Corporation Delaware	AMR	29.53	nil			
Continental Airlines Inc	CAL	38.67	nil			
Express Jet	XJT	7.75	nil			
Fedex Corporation	FDX	113.17	0.33	0.3%	11.0%	11.3%
Frontier Airlines Incorporated*	FRNT	8.06	nil			
JetBlue Airways	JBLU	12.94	nil			
Mesa Air Group*	MESA	8.37	nil			
Midwest Air Group	MEH	9.25	nil			
Republic Airways Holdings, Inc.	RJET	17.09	nil			
Sky West*	SKYW	25.72	0.12	0.5%	10.0%	10.5%
Southwest Airlines Company	LUV	15.69	0.02	0.1%	6.0%	6.1%
United Parcel Svc	UPS	75.70	1.52	2.0%	9.0%	11.0%
<b>Median:</b>						<b>10.7%</b>
<b>Mean:</b>						<b>9.7%</b>

Industry Specific - Major Passenger						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Dividends Growth (G)	Ke
Airnet Systems*	ANS	3.29	nil	nmf	nmf	nmf
Fedex Corporation	FDX	113.17	0.33	0.3%	11.0%	11.3%
United Parcel Svc	UPS	75.70	1.52	2.0%	9.0%	11.0%
<b>Median:</b>						<b>11.1%</b>
<b>Mean:</b>						<b>11.1%</b>
<b>Estimated</b>						<b>11.1%</b>

source: ValueLine, 2006, and yahoo finance

Note: Stock Price = 4th ¼ High / Low average

**Support for Yield Capitalization Equity Component  
Air Transport - Freight  
2007 Assessment Year**

**Dividend Growth Model**

(based on Earnings Growth)

$$K_e = D_1 / P_0 + G$$

where:

- Ke** = Cost of Equity
- D1** = Expected Dividends
- Po** = Current Price
- G** = Sustainable Growth

Industry Overall						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Earnings Growth (G)	Ke
Airnet Systems*	ANS	3.29	nil			NMF
AirTran Hldgs Inc*	AAI	11.49	nil			NMF
Alaska Air Group Inc	ALK	41.19	nil			NMF
AMR Corporation Delaware	AMR	29.53	nil			NMF
Continental Airlines Inc	CAL	38.67	nil			NMF
Express Jet	XJT	7.75	nil			NMF
Fedex Corporation	FDX	113.17	0.33	0.3%	12.5%	12.8%
Frontier Airlines Incorporated*	FRNT	8.06	nil			NMF
JetBlue Airways	JBLU	12.94	nil			NMF
Mesa Air Group*	MESA	8.37	nil			NMF
Midwest Air Group	MEH	9.25	nil			NMF
Republic Airways Holdings, Inc.	RJET	17.09	nil			NMF
Sky West*	SKYW	25.72	0.12	0.5%	8.0%	8.5%
Southwest Airlines Company	LUV	15.69	0.02	0.1%	22.0%	22.1%
United Parcel Svc	UPS	75.70	1.52	2.0%	10.0%	12.0%
<b>Median:</b>						<b>12.4%</b>
<b>Mean:</b>						<b>13.8%</b>

Industry Specific - Major Passenger						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Earnings Growth (G)	Ke
Airnet Systems*	ANS	3.29	nil	nmf	nmf	NMF
Fedex Corporation	FDX	113.17	0.33	0.3%	12.5%	12.8%
United Parcel Svc	UPS	75.70	1.52	2.0%	10.0%	12.0%
<b>Median:</b>						<b>12.4%</b>
<b>Mean:</b>						<b>12.4%</b>
<b>Estimated</b>						<b>12.4%</b>

Source: Standard & Poor's, ValueLine and yahoo finance  
 Note: Stock Price = 4th ¼ High / Low average

**Support for Yield Capitalization Equity Component**  
**Air Transport - Freight**  
**2007 Assessment Year**

**Dividend Growth Model**

(based on Earnings Growth)

$$K_e = D_1 / P_o + G$$

where:

**K<sub>e</sub>** = Cost of Equity  
**D<sub>1</sub>** = Expected Dividends  
**P<sub>o</sub>** = Current Price  
**G** = Sustainable Growth

Industry Overall						
Company Name	Ticker	Stock Price (P <sub>o</sub> )	Expected Dividends (D <sub>1</sub> )	Dividend Yield (D <sub>1</sub> /P <sub>o</sub> )	Earnings Growth (G)	K <sub>e</sub>
Airnet Systems*	ANS	3.29	nil		NL	-nmf-
AirTran Hldgs Inc*	AAI	11.49	nil		12.0%	-nmf-
Alaska Air Group Inc	ALK	41.19	nil		11.0%	-nmf-
AMR Corporation Delaware	AMR	29.53	nil		6.0%	-nmf-
Continental Airlines Inc	CAL	38.67	nil		6.0%	-nmf-
Express Jet	XJT	7.75	nil		16.0%	-nmf-
Fedex Corporation	FDX	113.17	0.33	0.3%	14.0%	14.3%
Frontier Airlines Incorporated*	FRNT	8.06	nil		15.0%	-nmf-
JetBlue Airways	JBLU	12.94	nil		15.0%	-nmf-
Mesa Air Group*	MESA	8.37	nil		8.0%	-nmf-
Midwest Air Group	MEH	9.25	nil		0.0%	-nmf-
Republic Airways Holdings, Inc.	RJET	17.09	nil		14.0%	-nmf-
Sky West*	SKYW	25.72	0.12	0.5%	13.0%	13.5%
Southwest Airlines Company	LUV	15.69	0.02	0.1%	13.0%	13.1%
United Parcel Svc	UPS	75.70	1.52	2.0%	12.0%	14.0%
<b>Median:</b>						<b>13.7%</b>
<b>Mean:</b>						<b>13.7%</b>

Industry Specific - Major Passenger						
Company Name	Ticker	Stock Price (P <sub>o</sub> )	Expected Dividends (D <sub>1</sub> )	Dividend Yield (D <sub>1</sub> /P <sub>o</sub> )	Earnings Growth (G)	K <sub>e</sub>
Airnet Systems*	ANS	3.29	nil	nmf	NL	-nmf-
Fedex Corporation	FDX	113.17	0.33	0.3%	14.0%	14.3%
United Parcel Svc	UPS	75.70	1.52	2.0%	12.0%	14.0%
<b>Median:</b>						<b>14.1%</b>
<b>Mean:</b>						<b>14.1%</b>
<b>Estimated</b>						<b>14.1%</b>

Source: Standard & Poors 1/2007 Earnings Guide for earnings growth and Yahoo Finance for stock prices

Note: Stock Price = 4th ¼ High / Low average

## Support for Debt Rating and Debt Yield Rate

### Air Transport - Freight 2007 Assessment Year

Industry Overall		---- Ratings -----		Issuer
Company	Ticker	Mergent's	S&P	
Airnet Systems*	ANS	NRL	NRL	
AirTran Hldgs Inc*	AAI	Caa2	B-	
Alaska Air Group Inc	ALK	NRL	BB-	
AMR Corporation Delaware	AMR	NRL	B	
Continental Airlines Inc	CAL	Baa	B	
Express Jet	XJT	NRL	NRL	
Fedex Corporation	FDX	Baa2	BBB	
Frontier Airlines Incorporated*	FRNT	NRL	NRL	
JetBlue Airways	JBLU	Ba3	B	
Mesa Air Group*	MESA	NRL	NRL	
Midwest Air Group	MEH	NRL	NRL	
Republic Airways Holdings, Inc.	RJET	NRL	NRL	
Sky West*	SKYW	NRL	NRL	
Southwest Airlines Company	LUV	Baa1	A	
United Parcel Svc	UPS	NRL	AAA	
<b>Overall Average Debt Rating</b>		<b>Baa</b>	<b>BB+</b>	
<b>Reconciled</b>				

Air Transport - Freight			
Company	Ticker	Bond Market Assoc	S&P
Airnet Systems*	ANS	NRL	NRL
Fedex Corporation	FDX	Baa2	BBB
United Parcel Svc	UPS	NRL	AAA
<b>Overall Average Debt Rating</b>			
<b>Reconciled</b>		<b>Baa2</b>	<b>AA-</b>

#### Standard & Poor's Bond Guide

December 2005 - Page 3 - US Industrial 20 yr bond yield chart

Rating	AAA	AA	A	BBB	BB
Year end	5.30%	5.50%	5.70%	6.50%	7.80%
<b>Average</b>	<b>5.30%</b>	<b>5.50%</b>	<b>5.70%</b>	<b>6.50%</b>	<b>7.80%</b>

#### Mergent's Bond Record

	Aaa	Aa	A	Baa	Ba
October	5.51%	5.74%	5.94%	6.42%	7.57%
November	5.33%	5.57%	5.76%	6.20%	7.22%
December	5.29%	5.58%	5.78%	6.22%	7.19%
<b>Average</b>	<b>5.38%</b>	<b>5.63%</b>	<b>5.83%</b>	<b>6.28%</b>	<b>7.33%</b>

DEBT YIELD RATE
<b>5.9%</b>

NRL=No Rating Listing

#### Sources:

\*\*\*Standard & Poor's Bond Guide, January, 2007 and <http://www.standardandpoors.com>

Mergents

**Support for Equity Component of Direct Capitalization Rates  
Air Transport - Freight  
2007 Assessment Year**

<b>Industry Overall</b>				
<b>Company Name</b>	<b>Ticker</b>	<b>\$Stock\$ Average</b>	<b>*Cash Flow</b>	<b>Ratio</b>
Airnet Systems*	ANS	3.29	2.10	63.8%
AirTran Hldgs Inc*	AAI	11.49	1.15	10.0%
Alaska Air Group Inc	ALK	41.19	8.75	21.2%
AMR Corporation Delaware	AMR	29.53	10.25	34.7%
Continental Airlines Inc	CAL	38.67	10.50	27.2%
Express Jet	XJT	7.75	2.31	29.8%
Fedex Corporation	FDX	113.17	12.60	11.1%
Frontier Airlines Incorporated*	FRNT	8.06	0.60	7.4%
JetBlue Airways	JBLU	12.94	1.60	12.4%
Mesa Air Group*	MESA	8.37	6.29	75.1%
Midwest Air Group	MEH	9.25	1.30	14.1%
Republic Airways Holdings, Inc.	RJET	17.09	3.00	17.6%
Sky West*	SKYW	25.72	5.04	19.6%
Southwest Airlines Company	LUV	15.69	1.70	10.8%
United Parcel Svc	UPS	75.70	6.05	8.0%
	<b>Mean:</b>			<b>24.2%</b>
	<b>Median:</b>			<b>17.6%</b>

<b>Air Transport - Freight</b>				
<b>Company Name</b>	<b>Ticker</b>	<b>\$Stock\$ Average</b>	<b>*Cash Flow</b>	<b>Ratio</b>
Airnet Systems*	ANS	3.29	2.1	63.8%
Fedex Corporation	FDX	113.17	12.6	11.1%
United Parcel Svc	UPS	75.70	6.05	8.0%
	<b>Mean:</b>			<b>27.6%</b>
	<b>Median:</b>			<b>11.1%</b>
<b>Estimated</b>				<b>15.0%</b>

sources: ValueLine

Projected Earnings median from Standard and Poors 1/2007 Earnings Guide

Industry: Air Transport - Freight  
Assessment Year: 2007 Assessment Year

Guideline Companies:		1								2	
Name	Ticker	Stock Price (4th 1/4 average)	Oct. '06 High	Oct. '06 Low	Nov '06 High	Nov '06 Low	Dec '06 High	Dec '06 Low	Common Shares	Preferred \$ Stock \$	LTD + OP Lease
Airnet Systems*	ANS	3.29	3.50	3.30	3.92	3.02	3.10	2.91	10,161,000	-	13,591,111
AirTran Hldgs Inc*	AAI	11.49	11.39	9.82	13.77	9.51	12.90	11.55	91,000,000	-	2,864,581,818
Alaska Air Group Inc	ALK	41.19	45.85	38.02	44.45	38.00	43.30	37.5	40,022,870	-	3,932,772,727
AMR Corporation Delaware	AMR	29.53	29.20	23.42	34.40	26.80	34.14	29.23	214,415,972	-	24,225,181,818
Continental Airlines Inc	CAL	38.67	38.30	28.56	45.41	33.87	46.29	39.56	89,900,947	-	17,735,000,000
Express Jet	XJT	7.75	8.19	6.36	8.35	6.85	8.97	7.75	54,161,848	-	3,233,618,182
Fedex Corporation	FDX	113.17	117.00	107.37	119.21	111.00	117.74	106.69	306,633,491	-	21,760,588,235
Frontier Airlines Incorporated*	FRNT	8.06	9.08	7.42	8.83	7.83	8.34	6.87	36,607,455	-	1,679,069,973
JetBlue Airways	JBLU	12.94	12.95	9.15	15.60	11.86	14.75	13.30	175,712,310	-	3,328,909,091
Mesa Air Group*	MESA	8.37	9.07	7.57	9.24	8.13	8.81	7.41	36,200,769	-	2,708,181,818
Midwest Air Group	MEH	9.25	9.90	7.73	9.85	7.67	12.15	8.20	18,604,442	-	525,377,778
Republic Airways Holdings, Inc.	RJET	17.09	18.27	15.30	18.49	16.51	17.68	16.26	42,431,802	-	2,291,906,667
Sky West*	SKYW	25.72	27.00	23.98	28.07	24.44	26.22	24.62	63,913,060	-	4,254,954,545
Southwest Airlines Company	LUV	15.69	17.03	14.94	16.33	14.61	16.03	15.18	791,833,168	-	4,393,181,818
United Parcel Svc	UPS	75.70	76.95	71.92	79.72	73.20	78.77	73.62	1,073,543,539	-	7,854,176,471

(instructions: any data entered on this page will flow to the applicable worksheets)

	3	4	5	6	7	8	12	17	18					Ref for
Long Term \$ Debt \$	operating leases leases pmt/op lease rate	Revenues Per Share	Cash Flow Per Share	Earnings Per Share	Projected EPS	Dividends Per Share	BV per share	Beta	P/E Ratio	Div'd Yield	S & P Earnings Growth	Pref Stock	Com Stock	Mkt Debt 10-K pg
8,000,000	5,591,111	19.37	2.06	0.60	n/a	nil	4.57	0.60	NMF	nil	NL	0%		
576,400,000	2,288,181,818	21.15	0.55	0.25	0.80	nil	4.10	1.35	27.3	nil	12%	0%		
945,500,000	2,987,272,727	83.75	7.50	3.90	4.70	nil	25.00	1.35	9.6	nil	11%	0%		
12,407,000,000	11,818,181,818	105.60	7.50	1.80	4.45	nil	nmf	2.60	9.1	nil	6%	0%		
4,735,000,000	13,000,000,000	146.55	9.05	3.20	5.75	nil	8.35	2.40	8.6	nil	6%	0%		
151,800,000	3,081,818,182	28.91	2.31	1.57	1.26	nil	3.86	1.20	4.9	nil	16%	0%		
2,090,000,000	19,670,588,235	105.54	11.13	5.98	6.85	0.33	37.62	1.05	16.9	0.3%	14%	0%		
444,000,000	1,235,069,973	27.17	0.42	(0.39)	n/a	nil	6.25	1.85	nmf	nil	15%	0%		
2,338,000,000	990,909,091	13.30	0.80	(0.02)	0.45	nil	6.55	1.05	41.1	nil	15%	0%		
550,000,000	2,158,181,818	39.36	3.50	0.62	1.26	nil	6.12	1.55	13.7	nil	8%	0%		
43,600,000	481,777,778	37.20	0.95	(0.05)	0.35	nil	1.20	1.35	43.8	nil	0%	0%		
1,487,800,000	804,106,667	21.66	3.00	1.80	2.07	nil	10.16	0.85	9.7	nil	14%	0%		
1,508,500,000	2,746,454,545	33.45	3.88	2.42	2.72	0.12	15.55	1.30	10.5	0.6%	13%	0%		
1,275,000,000	3,118,181,818	11.60	1.40	0.75	1.00	0.02	9.25	1.10	19	0.1%	13%	0%		
3,113,000,000	4,741,176,471	44.45	5.55	3.85	4.25	1.52	17.45	0.75	19.1	1.8%	12%	0%		